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PRESENTATION

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

All right, everybody. We're going to get started. For important disclosures, please see the Morgan Stanley research disclosure website at morganstanley.com. If you have any questions, please reach out to your Morgan Stanley sales rep. I'm Ben Swinburne, Morgan Stanley's media analyst. And really excited to welcome to the conference, I think speaking for the first time, I believe, Mike Cavanagh, now President of Comcast Corporation. Mike, thanks for being here.

Michael J. Cavanagh - *Comcast Corporation - President*

Thank you. Thank you. It's definitely not the first time, but maybe in this role. Maybe at this company. I'm not sure, but I've been here before. But thanks for having me.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

First time as President. I think it's probably fair.

QUESTIONS AND ANSWERS

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

So let's talk a little bit about the growth drivers for Comcast as you look forward. I think if we look at consensus estimates today, there's not an expectation of much financial growth in '23. When you look out over the next 2 to 3 years, can the business return to healthy growth? And if it can, what are the drivers in your mind?

Michael J. Cavanagh - *Comcast Corporation - President*

Sure. Well, I think it's a great question to start with. It's probably the most important question we'll hit. So I'll get to the specifics. But if you don't mind, I'll just back it up a little bit and give you my perspective. Because I've been saying for a long time that, I think, we've got the capacity, and I like the way you asked, look out several years, because we don't manage the place 1 year at a time. We manage with a very long-term view.

So, my view has always been that we're investing in the business to grow free cash flow and free cash flow per share over the long term. And I believe that's very doable and that's been the message. But when you go to the next step of just what are the big pillars that you have to think through to get from here to there, first is, what's the backdrop?

We operate in the connectivity and platform space, and the content and experiences space. And if you just look at -- is there a growth opportunity writ-large for participants, us and others, in those spaces? I would say it's hard to argue that when you look at what has happened in the demand for data over networks by consumers and businesses on a backward-looking basis and the factors that have driven that, and what we see around us, my expectation is that, that's going to keep going for a long time as an excellent backdrop for that business.

The platforms business, which is sort of us being an aggregator and the sort of global toolkit we've built for -- sit on top of connectivity and in particular, today, help people navigate all the different D2C choices they have, our X1, and we'll talk more about it, that world for the consumer is getting more complicated and not less and the needs for good tools and services is a very strong backdrop.

Content, interestingly, we'll -- I was listening to the prior panel and in thinking about what's going on in the Content business, the aggregate demand for entertainment, professionally produced high-quality video entertainment is up, not down, measured in sort of hours consumed. Despite the fact that over the past, we've seen the dawn of social media and the -- and gaming that has taken up a lot of share of people's time yet, it hasn't taken away. So I think the backdrop, again, strong there.

And everything about the live experiences part of the business, our Parks business, nothing but opportunity in terms of people's appetite, maybe it's particularly after COVID, but maybe it's the VelociCoaster. I mean there's cool stuff. I know you're about to do your inaugural visit.

So I think the backdrop for growth is fantastic for the spaces in which we operate.

Next would be, are there challenges? Sure, there are challenges, but are there the type of massive disruptions that take a player like us and say, "We don't have a path to get to fight for our share of that growth." I think no, if you look at -- we'll get into this deeper, but if you look at what kind of challenge would those be, I mean on the network connectivity side, physics haven't changed. What our physical plan can do is -- versus fiber versus fixed wireless, we'll get into deeper, is the same as it always was.

Do we have competition? People choosing to deploy capital in ways to try to get a return and try to take some of the growth we see? Sure. But that's competition, not disruption in the sense.

And then on the media side or the content side, yes, streaming has come along. But I think if we were sitting here 3, 4, 5 years ago, the prospect for the way the leaders were kind of running away with the prize, with a belief in a business model that was of such a high degree of certainty that people were saying, "You guys got no shot." I don't think it's so clear where that's all going. So I think, again, that speaks to -- we got to manage our way through. There's pivot in some of these businesses.

And so then, why us, right? And this is the important part. When I think what we bring to the fight for that growth is a bunch of things. One, start with leading businesses. You think about through every dimension of where we are, we're the leading cable provider and the Internet provider in the United States. We've invested heavily in our network. We've invested heavily in the platform, such that everybody in our space, all cable providers in Canada, many in the United States, Charter now, using our kit, and we'll get deeper on that.

I think NBC, we've reached 100 million viewers a month with our content. We're the #2 film studio. And then obviously, with Sky in the U.K. and Europe, we're the #1 position with premium entertainment subscription services. So we've got great positions.

Second, we've got excellent operation. Our operational excellence, I would put up against anybody. When you look at -- and that comes with -- with that is really speaking to the leaders we have across all of these businesses. At the top and going deep, a lot of stability, a lot of fighting through a lot of different business cycles. I think that matters a lot.

I think if you sort of say, "Why buy the stock?" Like you buy the stock because of that, more than anything else. We've got people who are deep in these businesses and know what they're doing. I got a lot of confidence in them.

And you see that in last year's results. 2022, despite the fact that we saw increased competition in broadband, we saw a slowdown in advertising, to name a few of the challenges, we still grew revenues 4%. We grew EBITDA 5%, 7% ex severance. EPS, 13%, and returned a lot of capital, which gets to the next point, financial strength.

We learned from living through interesting periods at other companies. The first thing you need to have is margins. So I think going back to the point about operating excellence, I think we have strong, if not the best margins across all of our businesses, combined with the strongest balance sheet in the space, 2.4x leverage. And that allowed us to return $18 billion of capital to shareholders last year, while still investing heavily in the future growth that I'll get into in a second. That was Epic. That was the network. That was Peacock.

And then finally, and really important is culture. And Brian and his father and the leaders that preceded me and are alongside the place with me now, it comes in a lot of flavors. But one of the ones that's important is a bias to invest, a bias to think about the future, a bias to run the place like you own the whole company and think long, long term. And so I think that dovetails back into the setup.

So if you go through the pieces now, connectivity, that's $28 billion of revenues domestically in that space, and you think about 3 key drivers of growth there in the near term are going to be: driving ARPU growth in broadband; it's capturing the opportunity in wireless, where we and Charter are off to a fantastic start; and business services, which over the last 15 years, has been built into a $10 billion top line, $5 billion EBITDA business. So those drivers are strong, intact, producing regularly quarter by quarter by quarter.

The one that's challenged in the recent past and will be for the near term given the competitive landscape is additional subs on the broadband side, but we'll come back to that. But I think we saw that in the second half of last year, and I'm still really pleased with the financial results and that we're intact for the future.

Platforms, I spoke a little bit about, but the one thing that is coming is between X1, Sky Glass, Flex, now our shared product with Charter called Xumo. We're getting to a single tech stack that rolls out this year. So all of those endpoints are going to be fueled by the same technology that will be best in class, and I think there's a lot of runway in that space.

Content, our growth there is really all around Peacock. When you think about Peacock, it's now $2 billion of revenues, 20 million subs. We added 10 million paid subs last year. Those were paid subs, 20 million -- added 10 last year. We like the momentum we're on. This year, we'll see further growth, without a doubt. And that's going to be a peak year of losses, but we're very much looking at that, how to run the media businesses in total to get to a place in due course where the bottom line of the total business is a grower again.

And then finally, in Parks, it's a fantastic business. I think it made $400 million of EBITDA the year of the NBC acquisition, and it's around 3 [billion](added by company after the call) right now and going higher, right? Because we've got a lot of great stuff. The worry 2, 3 years ago was people weren't going to go back to Parks post COVID, couldn't be further from the truth. So we've got a great investment agenda, and we will see a lot of growth in those businesses.

So I thought that was worth hitting all that as we got going. Because I do think the question on growth is clearly an important one. And hopefully, that I shared my thoughts on that one.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. No, that's a great intro. Let's talk a little bit more about the cable business. Obviously, the biggest part of the company from an EBITDA and cash flow point of view. You guys have been quite clear that you're prioritizing financial discipline and ARPU growth over chasing subscribers. But talk about why you think that's the right strategy? And what should we all expect in terms of your ability to drive ARPU in a market that, as you acknowledged, is competitive?

Michael J. Cavanagh - *Comcast Corporation - President*

So I think the -- you think about the capacity of our network to serve the high-end needs, right, or the average and high-end needs, something like 700 gigabytes a month is the average usage of a broadband-only subscriber. That's double what it was 4 years ago. You think about the speeds being taken by our customers, 75% or above 400 [megabits] (corrected by company after the call) of speed. We've got something like 1/3 of our customers taking 1-gig products or higher. We've got double the number of devices hanging off of our network. We've got 22 million WiFi hotspots. It's staggering the increased usage that we're seeing going back to the earlier point.

So that is why you would believe that going after -- or protecting ARPU of the embedded base mid-to-high end at a moment when we're seeing some competition, particularly from fixed wireless at the lower end, that's not where we see the long-term fight for growth and profits in the broadband business, the short answer.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

My sense is that everyone probably underestimated fixed wireless coming into the market and the impact it would have. But I do believe you guys and then many other in the cable industry, I think the technology has a limited addressable market in the long term. We had T-Mobile and Verizon here at the conference. Obviously, they're quite bullish on it. But what have you learned so far in competing with fixed wireless that sort of gives you confidence and sort of informs your view that over the long term, it's a more limited product, and you guys have a really strong hand?

Michael J. Cavanagh - *Comcast Corporation - President*

Sure. Well, obviously, you take all the work our engineers do to study this stuff up and down and as do others, and everybody obviously talks their own book to a degree. So you got to all sort through that for yourselves. But I think one of the things that's clearly the case is it taps out when you get to the kind of speeds we're talking about and the capacities we're talking about. It's a fine approach to market. It can work if you have lower needs. But how long are -- if the typical and average need of a consumer keeps going up, the person who might be satisfied today may not be satisfied tomorrow.

If you take one example, Thursday Night Football moved from network television to Amazon Prime, viewership dropped in half, yet that night became the most streamed -- the highest demand on our networks in the U.S. versus what had previously been Sunday Night. So you imagine where the world is going. It's going to continue to put stress and strain in such a way that I really don't think the kind of consumer that -- the average consumer is going to find that, that's going to work.

And as you all know, it's not the most economically efficient way for the wireless companies to use that spectrum. So the day will likely come where they have to reprioritize how they use their spectrum, and that's going to change the experience, plus it's a differentiated experience in one neighborhood to the next on one street -- house on the street versus another house on the street, that's all the testing that we've done. And those are some of the learnings that -- we want to stick to the strategy of playing the long game against a high demand for high-quality, best-in-class, lots of latency, lots of durability, lots of reliability, lots of speed, lots of capacity. And that's what our road map is in broadband. And to devalue that by -- we will, with selective offers and what's right for different segments, answer some of the competitive threat, but we're not going to lose sight of the bigger prize over the long term.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. One technology people do not worry about in terms of its ability to be successful long term is fiber and fiber to the home. That's another area of competitive intensity that people are focused on. Can you talk about Comcast's current fiber overlap? Where you see that's going over time? And how are you competing in those markets where you have a fiber competitor?

Michael J. Cavanagh - *Comcast Corporation - President*

Sure. I mean this one, we've talked about year after year after year, going back to Google Fiber, another threat -- fiber has been -- it threatened our business for a long time going back to FiOS before my time and more recent competitors.

I think it's -- we're now at 45% overbuilt. Sort of announced plans would take us to 60% overbuilt in the next several years, probably -- so I think we live in a world, and we have lived in a world, where we've had to worry about fiber and compete against fiber. So I think the sort of multifaceted answer to how we think about it is build the best network out there.

So our path to DOCSIS 4.0 getting us to multi-gig symmetrical in a reasonable period of time with steps along the way, we're the first to 1.2 gigs of speed, where now we've got 10% of our network with mid-splits, getting to 10 million homes with 2 gigs, and we've increased upstream speeds 5 to 10x. So we're way ahead of customer needs as our ability to handle the changing capacity during COVID demonstrated. But we always want to be ahead. We want to be way ahead. And so that's why DOCSIS 4.0 is going to quickly follow.

We'll start that at the back end of this year and over several years, get to a place where there'll be no difference between a fiber network's capabilities and our own, but we'll have a much more economically efficient way to get there. And we'll hang all of our innovation around wireless, WiFi and the like and control in network that we've been known for around our product. And we think with that, we're going to be able to compete. Have competed well against the fiber builders and we'll have an answer at all steps of the way. But we spent a lot of time focusing on now.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. You mentioned sort of the future-proofing the network through investment. Two questions. You guys are -- all around the sector, we're seeing CapEx go up as people are upgrading their network. And yet you've laid out a vision to sort of get to where you want to go from a speed and capacity point of view within your existing capital intensity. And well, maybe help us understand how you're able to do that and your confidence level? And then number two is, you have not decided to sort of pursue significant line extensions, rural line extensions, Charter has. Talk about the philosophy as to why you've made the decision you've made so far?

Michael J. Cavanagh - *Comcast Corporation - President*

So on the first part, our confidence that we can get to multi-gig symmetrical inside the envelope of around 11% capex intensity, the first part of the answer is really where we start. Like we've invested heavily in our network for all the reasons I previously described for years and years and years. So from where we sit to where we have to get to, there's a path, and the advances in technology is fantastic. But like I said, from where we sit, the right path is mid-splits, more and more virtualization of our network onto the relatively manageable investment to get the network to DOCSIS 4.0.

All that, when you average it out, should be cumulative $200 passing from where we currently sit. And that's, again, doable within the envelope of the CapEx intensity we've been running at in the recent past.

And to your second point, within that, the growth, we do care about growth. The elements of our capital spend has always been CPE, which starts to come down in the environment we're in; sort of scalable infrastructure, which is making the existing network better and faster along the way, which is a lot of the splitting and virtualization that we talked about; and then line extensions. We -- last year, we added 840,000 [passings], about 1.4% of our base. We're going to do at least 1 million this year. And that's sort of in the envelope.

When and if we see the ability to do more, I'd be happy to come back and say, hey, we got more -- we want to spend some more. We see more opportunity. But we are return-driven, so we look at are we going to get the acceptable returns for the investment, which is a combination of what rate are you going to get? What's churn going to be over the long term? How much is it really going to cost you? What price can you charge, right?

And so that's different in some markets than others, and you got to get very local, very specific and expect this to be biased towards doing that. When you go back to the question about rural, I mean, that's in 2 phases, right? The first phase, we took a pass on which is RDOF. A whole host of reasons. We're looking at other priorities at the (inaudible). We did that work, we did that math. I don't think we would do it any differently today. We looked at it as a frothy capital markets, lots of bidders, driving prices to levels that were, I would say, not necessarily natural.

It doesn't mean that players that got what they got won't do well, but that was a dynamic on our minds. And so that was -- we wanted to see a little bit more maturity in the bidding process. Now that we've moved on to the variety of latest government programs, whether it be state, local, federal and BEAD coming, we will be a participant in those. We don't see any reason not to be, but it's going to be opportunity by opportunity, market by market. But we do have -- we certainly have a bias to, if it's going to meet our hurdles, to be extending the footprint.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Got it. Okay. Well, maybe just to summarize and kind of wrap up this broadband conversation, there's other stuff we certainly want to hit on. We put it all together, Mike, we think the industry is growing 3 million to 4 million customers a year. If we assume that continues, putting everything we just talked about in the mix, so competition from fixed wireless, the fiber piece, but also your investments in the network and the product, do you think Comcast will get to a place where it's holding its share again? Because we've seen the industry lose market -- cable lose share over the last couple of years. When you look longer term, are you optimistic you can get back to holding share, maybe even expanding share?

Michael J. Cavanagh - *Comcast Corporation - President*

Yes. I mean, I think it's the right way to frame the question. Why wouldn't we be expecting and holding ourselves accountable, given everything I just described that, in due course, and it's -- the environment we're in, we're probably going to be in for a little while.

So this environment is one where it's tougher to add subs, and you can do the wrong thing for the long term by chasing. So we're not going to do that. So -- but I do think that, that settles down at a point once the current commitments to fiber are built, when the fixed wireless guys kind of -- they pulled forward -- they're -- like you said earlier, they're doing better than people thought, but they're not pushing through what everybody originally thought the ultimate penetration would be, that's probably still going to hold true. So I think at some point, that will settle down. They'll start to see the dynamics of trying to lap their early successes. And we intend to be in a position to compete well in that environment. I don't see why we wouldn't maintain our share.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. Great. We're going to try to speed through some more payable questions to make sure we get to NBC. Wireless. You mentioned off to a really strong start, both yourselves and Charter; 1.3 million net adds last year; $3 billion business. For investors in Comcast, what is success in wireless? If there's a couple of different ways you could define that? And then I want to make sure we should all be comfortable that you are comfortable with the MVNO structure in the long term?

Michael J. Cavanagh - *Comcast Corporation - President*

Yes. So I think we've hit our milestones. Our early milestone was we wanted to scale the business up and make sure that we were making money in the Wireless business. We get asked that question a lot. We make money in wireless. It's not a be-all and end-all. It's all part of a big connectivity business, but we wanted to make sure we crawl, walk, run as we got going.

So that -- in part, I think your question is what are we trying to get from it? We want to make money in the wireless space. Absolutely. But we most want to make money in maximizing client lifetime value on the combined connectivity product, which is going to be broadband and wireless. But knowing that wireless itself is accretive, is a great part of that equation to go then, fight the fight for growth that we talked about earlier.

And we are off to an excellent start. We got a lot of runway. We're 9% penetrated against our broadband base. Charter is doing some interesting things, and we'll be fast followers if there's stuff that we can do learning from them. And in that sense, the sort of going after wireless like-for-like with shared infrastructure, same MVNO, I think that's actually a very constructive dynamic for us together with Charter. So we'll keep driving that business.

And I think in terms of the -- very confident in the MVNO is working for us, right? It's capital light. We get day in date their -- Verizon's advances in their product and network come to us at the same time it gets to them. And so we don't really see a reason to want -- for everybody talked about owners' economics and the like, but without getting into the details of the actual agreement, we're happy with it.

And I see we do also have the ability to offload where it makes sense for us. So Charter and ourselves are testing a way on whether that would make sense. But I mean, I think you think about some of these numbers. 80% of the data traffic on Xfinity Mobile is over WiFi. Another interesting stat is 60% of the traffic that goes off network is in 3% of our geographic footprint. And we also own already spectrum that covers 80% of our footprint. So there's a path there if that becomes feasible. We're going to test away at that. But remember, the scale and growth pace that Charter and I together -- Charter and us together are generating creates pretty good dynamics for wanting to be served by the wireless industry, right? So I think there'll also be advances as time passes and just the dynamics of these MVNO relationships.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. Great. All right. Let's shift to NBC. I want to talk about Poker Face, but we don't have time. So let's talk about Peacock.

Michael J. Cavanagh - *Comcast Corporation - President*

Excellent show for anybody who hasn't seen it. You've got to watch it.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

What is the sort of prize for investors with Peacock? And how do you think about how that fits into your overall media strategy?

Michael J. Cavanagh - *Comcast Corporation - President*

Well, like I said earlier, I think NBC our -- both network and cable assets have among the best reach, best product as viewed by consumers, but obviously, it's a linear product. And we want to be on a journey to pivot that business to one where we become indifferent, much like we did in the Cable business with cord cutting, to whether people are coming in the door through a digital side, Peacock, or through a linear side. And so that's our goal. That's what we're investing against.

Obviously, we started late with Peacock because we were doing something else that I'm sure you'll ask me about. But in a short period of time, we're now at 20 million paid subscribers. We focused on AVOD because we have all the advantages of knowing distribution, knowing advertising and the like. And we've got a tremendous amount of properties from sports to the Pay-One window coming off of our movie studios that can feed the programming of these -- of Peacock, such that together, we've got -- where we're doing 2 things. We're protecting the cash flows coming from the linear side, but we're also -- our goal is to get to a place where, we're at peak year losses now, where we get the aggregate back to where it was and then have opportunity for growth from there.

And that's -- really we're not funding that with money coming from other places. It's sort of we have a great business, and we owe it to ourselves to take our best shot at what we think is a good business plan that washes its face. And I think when you go back to what the world thought streaming was going to look like several years ago to now, people -- I think it's a better setup for our strategy now than it was several years ago.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Yes. The speaker...

Michael J. Cavanagh - *Comcast Corporation - President*

And we got to do it. We've got to prove it, and we'll react accordingly as time passes. We've got a lot of flexibility to manage according to what the data shows as time passes.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Sure. So you own a stake in Hulu, 30% stake. Bob Iger will be here tomorrow. He suggested publicly that buying in that -- your stake is -- which I think is in early '24, that option may not be Disney's priority. Do you see opportunities for a different outcome, either NBC acquiring their stake or maybe creating a new partnership going forward?

Michael J. Cavanagh - *Comcast Corporation - President*

Well, on this one, remember, they and we, back in 2019, we put together a very clear and good agreement for a put call that does happen in early 2024. So we know what that looks like. We're very happy, if that's the way it plays out, that would be great. But if there's something different that comes along, we have to consider things, but you could -- simple to say, we won't do something, unless it's better in our minds than that. And I'll leave it there.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. All right. In our last 40 seconds here, you talked a lot about capital allocation. You guys have a very strong balance sheet, very cash flow generative. Investors are always focused on M&A with Comcast for obvious reasons given the history of the company. Are the transactions we've seen in the past from Comcast mainly in content and international sort of the best indicators of where you're focused for the future? How would you advise us to think about inorganic growth?

Michael J. Cavanagh - *Comcast Corporation - President*

Sure. I think Brian and I've been saying this for a while now. I'll say it again. I mean, the -- we like the opportunities we have for investing in growth and generating free cash flow growth from the existing set of businesses we have. To execute what I previously described, we don't have to do anything. So I think the bar is high for what we would be looking for -- for M&A to do for us. You never say never because it's our job to consider everything that comes along. But I think it's different when you feel strategically incomplete versus when you're happy with what you have and then any acquisitions become something of, "Am I going to buy? Am I going to build?" Much like we did -- very much like the tuck-in acquisition we did in business services on the connectivity side last year -- 2 years ago now in Masergy. So things like that are -- they're strategically aligned, and they get us to where we otherwise want to go faster. I think that's how we think about M&A for now.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. So Mike, to wrap up. how would you summarize Comcast's position and the sort of growth outlook from here?

Michael J. Cavanagh - *Comcast Corporation - President*

Yes, sure. I think we'll go back to the beginning. I mean I think we do have an excellent set of businesses. But most importantly, I think we've got a team of people and leaders that are best-in-class and running businesses in a fashion that for the hand we've got, I wouldn't trade anybody else's spot. I think we've got great opportunities to grow. We renumerated them. And I would put our money on us to go deliver against that.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Okay. Thanks, everybody. Mike, thank you so much for being here.

Michael J. Cavanagh - *Comcast Corporation - President*

Thanks. Thanks, Ben. Thank you, everybody.

Benjamin Daniel Swinburne - *Morgan Stanley, Research Division - MD*

Thank you.
